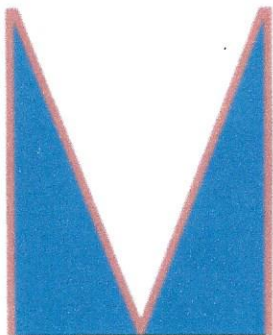


## **City of Milton**

Independent Accountant's Examination Report  
on Applying Agreed-Upon Procedures  
For the Period  
August 1, 2013 Through July 31, 2014



### **MARTIN P BROWN CPA**

**Certified Public Accountant**

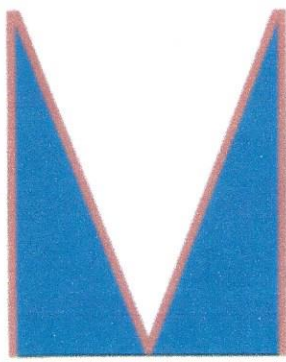
***"Managing Peoples' Business"***

**1405 N Elm St #102 West Liberty IA 52776**

**Phone: (319)627-7389**

**Fax: (319)627-3318**

**Email: [mpbrown@lcom.net](mailto:mpbrown@lcom.net)**



# MARTIN P BROWN CPA

**Certified Public Accountant**

***"Managing Peoples' Business"***

**1405 N Elm St #102 West Liberty IA 52776**

**Phone: (319)627-7389**

**Fax: (319)627-3318**

**Email: mpbrown@Lcom.net**

---

## Independent Accountant's Examination Report

To the Honorable Mayor  
And Members of City Council:

I have performed an examination of the City of Milton pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, I have applied certain tests and procedures to selected accounting records and related information of the City of Milton for the period August 1, 2013 through July 31, 2014. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures performed are as summarized as follows:

1. I reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. I reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. I reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. I obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances are properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. I reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. I reviewed the City's fiscal 2014 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. I reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. I reviewed compliance with Chapters 12C.2, 12B.10 and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. I reviewed debt, including general obligation and revenue bonds and notes and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.

10. I reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
11. I reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts, and compliance with the public purpose criteria established by Article II, Section 31 of the Constitution of the State of Iowa.
12. I reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. I reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. I reviewed the annual budget for proper authorization, certification, and timely amendment.

Based on the performance of the procedures described above, I identified various recommendations for the City. My recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

I was not engaged to and did not conduct an audit of the operations of the City of Milton, the objective of which is the expression of opinions on financial statements. Accordingly, I do not express opinions on the City's financial statements. Had I performed additional procedures, or had I performed an audit of the City of Farmington, additional matters might have come to my attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Milton and other parties to whom the City of Milton may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by the personnel of the City of Milton during the course of the examination. If you have any questions concerning any of the above matters, I will be pleased to discuss them with you at your convenience.

A handwritten signature in blue ink, appearing to read "Martin P. Brown CPA".

Martin P Brown CPA  
Certified Public Accountant  
November 19, 2014



City of Milton  
Detailed Recommendations  
For the Period August 1, 2013 through July 31, 2014

(A) Segregation of Duties: One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash: handling, reconciling and recording.
- (2) Receipts: opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements: purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll: recordkeeping, preparation and distribution.
- (5) Utilities: billing, collecting, depositing and posting.
- (6) Financial reporting: preparing and reconciling.
- (7) Journal entries: preparing and journalizing.

In addition, both the general and sewer bank accounts only require one signature to authorize checks, reducing an important control on disbursements, as checks can be issued without authorization of another official.

Recommendation: It is recognized segregation of duties is difficult with a limited number of employees and a limited budget. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by signature of initials and the date of the review. By continuing to focus on proper internal controls, City officials can provide positive examples of good stewardship for all City employees, and help ensure its citizens City funds are properly managed.

City of Milton  
Detailed Recommendations  
For the Period August 1, 2013 through July 31, 2014

- (B) Electronic Check Retention: Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include an image of both the front and back of each cancelled check. The City does not receive an image of the back of each cancelled check for both the general and sewer bank accounts.

Recommendation: The City should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- (C) Expenditures Approved by City Council: Five tested expenditures were not approved by the City Council. The most common expenditure was for stamps. This is due to a timing issue, with utility bills being mailed out just prior to City Council meetings.

Recommendation: All expenditures should be approved by the City Council. Where timing is an issue, expenditures should be approved in advance of the date the expenditure is to be paid.

- (D) Questionable Disbursements: The City is making quarterly payments of \$150 to the Milton Volunteer Fire Department. There is no supporting documentation to support the expenditure. No resolution was sighted, and the expenditures have not been approved by the City Council.

Recommendation: All expenditures should be approved by the City Council and made public. In addition, the purpose for this expenditure should be reviewed and approved by the City Council.

City of Milton  
Detailed Recommendations  
For the Period August 1, 2013 through July 31, 2014

- (E) Reconciliation of Utility Billings, Collections and Delinquent Accounts: Utility billings, collections and delinquent accounts were not reconciled during the year and delinquent account listing was not prepared monthly. Late notices were mailed monthly, and some delinquent accounts were submitted to Van Buren County for special assessment.

Recommendation: While the City has been diligent in collecting delinquent accounts, a listing of delinquent accounts should be prepared monthly. Procedures should be implemented to reconcile utility billings, collections and delinquent accounts for each billing period. The City Council or an independent person designed by the City Council should review the reconciliations and monitor delinquent accounts.

City of Milton  
Detailed Recommendations  
For the Period August 1, 2013 through July 31, 2014

The City of Milton was incorporated in 1878 and in 2010 had a population of 443.  
It is located in Van Buren County.

Officials as of report date:

<u>Name:</u>	<u>Title:</u>	<u>Term Expires:</u>
Charles Boyd	Mayor	12/31/2015
Cindy Bruce	Councilmember	12/31/2015
Doroless Cole	Councilmember	12/31/2015
Christine Fields	Councilmember	12/31/2017
Kelly Gordy	Councilmember	12/31/2015
Jeremy Thomas	Councilmember	12/31/2017
Rhonda Woodruff	City Clerk	Indefinite

This examination was performed by Martin P Brown, Certified Public Accountant,  
of the firm Martin P Brown CPA.



Martin P Brown CPA